

PSAA consultation

PSAA is consulting on its [draft prospectus](#) for the English national scheme for local auditor appointments from April 2023. The consultation deadline is Thursday 8 July 2021.

The consultation is being carried out on [Suveymonkey](#). Answers available are Yes, No and in some cases “Maybe, subject to”, and include a comments box.

The questionnaire asks respondents to identify themselves contact details (Name, Organisation, email address) and role (Director of Finance, Audit Committee chair, National stakeholder, Other, please provide details below).

Stephen Boyle was invited to respond to the consultation. Discussions with PSAA indicate that they did not consider the option to invite responses from the Accounts Commission but that they would be happy to receive a response regardless of how it was addressed. The Organisation field is large enough to accept “Audit Scotland on behalf of the Auditor General and Accounts Commission”

This response has been drafted with comments only included where value can be added.

No	Question	Yes/No	Comment
1	Is PSAA right to prioritise the awarding of new longer term contracts with firms, based on realistic market bid prices, mitigating the risks of a less than fully successful procurement by holding in reserve the option to extend one or more of the existing audit services contracts for up to two years if required?	Yes	The Accounts Commission for Scotland, which has responsibility for the appointment of local government auditors, works jointly in agreeing principles of audit appointment with the Auditor General for Scotland through the support of Audit Scotland. The arrangements proposed here are consistent with the principles jointly agreed for audit appointments in the public sector in Scotland.
2	Is five years an appropriate term for bodies to sign up to scheme membership?	Yes	
3	Is five years with the option to extend for up to two years subject to the supplier’s agreement an appropriate term for the next audit services contracts?	Yes	Five years accords with the rotation requirements in the Ethical standard so is a logical period for an auditor’s term. An option for up to two more years provides helpful flexibility in the event of unexpected circumstances. The Auditor General for Scotland and Accounts Commission exercised a one-year extension to avoid going to market in Autumn 2020 when there was significant market uncertainty during the Covid-19 pandemic.
4	Is PSAA right to evaluate tender submissions on the basis of 80% quality and 20% price to align with market expectations and other recent public sector audit procurements?	Yes	The proposed approach is consistent with the approach that Audit Scotland is taking and with Scottish Government procurement advice.
5	Is PSAA right to seek to encourage market sustainability within the local audit market by	Yes	

	accepting bids from firms that are currently proceeding through the local audit registration process; by accepting consortia bids which may involve an unregistered firm gaining experience by working alongside a registered firm; and by considering the inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market?		
6	Is PSAA's proposed approach to social value appropriate given the services to be procured will be delivered across the whole of England? Are there any alternative approaches that should be considered?	Yes	The proposed approach is consistent with the approach that Audit Scotland is taking and with Scottish Government procurement advice.
7	Is PSAA right to carry out research and to consider setting a minimum audit fee in the next appointing period, recognising the increasing level of audit work now required and the risk that smaller scale fees may not be sufficient to cover the actual cost of the audit? What would be the key issues for PSAA to consider in the event that it opts to set a minimum fee for a Code-compliant audit?	Yes	There is a risk that different firms will have different minimum costs for carrying out an audit, but this should not stop PSAA researching and aiming to set a minimum in the event that scale fees are not sufficient for such audits. PSAA should consider the impact on the ability of bodies to pay if a minimum fee resulted in a significant increase in fees payable for audit. Audit fees for the smallest bodies may be a far larger proportion of total expenditure compared to most councils. PSAA should consider if, in the event that fee increases are significant, phasing in of the increase may be possible.
8	In the context of the recent NAO report, should PSAA and other market participants strive to prioritise the timeliness of audit opinions in the next appointing period? What actions should PSAA or other market participants take in order to avoid delayed opinions blighting the next period?	Yes	PSAA and other market participants should strive to meet deadlines and avoid delayed opinions, but not if it would put audit quality at risk. One of the drivers for the delays appears to be auditor capacity, which the next appointment period should seek to improve.
9	Which specific benefits of the national scheme are most valuable to you? Are there other benefits we should strive to develop?		Not applicable: Audit Scotland is not eligible to participate in the scheme.
10	What are the key issues which will influence your decision about scheme membership for the second appointing period?		Not applicable: Audit Scotland is not eligible to participate in the scheme.
11	To inform the further development of our procurement approach, please indicate whether or not you anticipate that your organisation is likely to opt into our scheme?	No	Not applicable: Audit Scotland is not eligible to participate in the scheme.